

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 58th LEGISLATURE - REGULAR SESSION

COMMITTEE ON EDUCATION

Call to Order: By **CHAIRMAN JOAN ANDERSEN**, on April 2, 2003 at 3:45 P.M., in Room 137 Capitol.

ROLL CALL

Members Present:

Rep. Joan Andersen, Chairman (R)
Rep. Larry Lehman, Vice Chairman (R)
Rep. Norman Ballantyne (D)
Rep. Norma Bixby (D)
Rep. Gary Branae (D)
Rep. Nancy Fritz (D)
Rep. Carol Gibson (D)
Rep. Verdell Jackson (R)
Rep. Bob Lake (R)
Rep. Bob Lawson (R)
Rep. Joe McKenney (R)
Rep. Clarice Schrumpf (R)
Rep. Pat Wagman (R)

Members Excused: Rep. Kathleen Galvin-Halcro, Vice Chairman (D)

Members Absent: None.

Staff Present: Eddy McClure, Legislative Branch
Mari Prewett, Committee Secretary

Please Note. These are summary minutes. Testimony and discussion are paraphrased and condensed. The time stamp in these minutes appears at the end of the content it refers to.

Committee Business Summary:

Hearing & Date Posted: SB 424, SB 454, 3/31/2003
Executive Action: SB 424, SB 454

HEARING ON SB 424

Sponsor: SEN. LINDA NELSON, SD 49, Medicine Lake

Opening Statement by Sponsor:

SEN. NELSON stated that SB 424 implemented some of the recommendations from the Governor's Advisory Council on School Funding. She went on to say that the Council recommended the funds that were presently allocated to a block grant for debt service be directed into school facility payments. Under current law only low wealth districts, that sold general obligation bonds after July 1, 1991, were eligible for school facility payments.

The Council proposed that all low wealth districts with outstanding general obligation debt be eligible for the payments. The remainder of HB 124 block grants for debt service would be used to increase the percentage used to calculate the statewide mill value. For HB 124 block grants that are not affected by other recommendations the Council recommended that the school districts receive an unrestricted block grant. The district trustees could then determine where to allocate the nonlevy revenues among the budgeted funds of the district.

SB 424 would increase the school facility funding by increasing the entitlement rates. It would increase the guaranteed percent enabling more districts to qualify for payments and it would allow bonds issued prior to July 1991 to apply for school facility payments. The bill as originated would also have addressed transportation funding, but some of the Senate members on the Finance Committee were worried about it, so it was removed to raise their comfort level.

The proposed amendment was mentioned and introduced as Exhibit 1.

EXHIBIT (edh70a01)

Proponents' Testimony:

Kris Goss of the Governor's Office, went through the bill and explained it to the Committee. He pointed out that the bill would allow more districts to qualify for grants.

Kathy Fabiano, Assistant Superintendent, Department of Operations, Office of Public Instruction (OPI), stated they supported SB 424 as it had been originally introduced. She pointed out that SB 424 did not involve any new money, that it simply redirected the money. **Ms. Fabiano** discussed the current formula for funding of buses and the need for the change. She

indicated that counting bus students in November created numerous budget problems.

Bob Vogel, Montana School Boards Association, spoke in support of the bill. He stated that it was a good bill, however, it would be a better bill with the amendments. He continued that they were very excited over the transportation provisions in the amendment.

Bob Gilbert, Montana School Bus Contractors Association, expressed support for SB 424 with the addition of the amendments.

Darrell Rud, School Administrators of Montana, expressed their support of SB 424 with the addition of the amendments.

Erik Burke, MEA/MFT, spoke in support of SB 424 and recommended that the Committee adopt the amendments.

Jack Copps, Executive Director, Montana Quality Education Coalition, stated that they supported SB 424. He went on to say they felt it was a great opportunity to improve equity in the State.

Opponents' Testimony: None

Informational Testimony: None

Questions from Committee Members and Responses:

REP. BRANAE asked Kathy Fabiano from OPI to explain the differences between how transportation was presently set up and what was proposed in SB 424. **Ms. Fabiano** explained how they presently arrived at their student counts and the formula for determining transportation reimbursement rates. She further pointed out that the formula was complicated and the districts did not know what their reimbursement would be until after the school year had already begun. **Ms. Fabiano** then discussed the proposed reimbursement policy and commented on the five categories that would be used and the standardization of the reimbursement rates.

REP. BRANAE asked Ms. Fabiano if the school district reimbursements would remain the same under the new system as with the old system. **Ms. Fabiano** responded that there would be no losers. Some of the school districts would stay the same and some would actually receive more.

REP. LEHMAN asked Ms. Fabiano if she could envision the scenario on the two days when the count was taken under the current law,

that perhaps there would be incentives given to entice students to ride the bus to keep the counts up. **Ms. Fabiano** replied that it could possibly happen.

REP. JACKSON asked **SEN. NELSON** to explain Lines 1 and 2 of the fiscal note. **SEN. NELSON** explained that the block grants for debt service were eliminated and that it was all put into a combined fund that could be used with more flexibility according to how the Trustees wanted to use it.

REP. JACKSON asked **SEN. NELSON** why the figures for elementary and high school were not raised by the same amount. **SEN. NELSON** deferred to Amy Carlson from the Governor's Budget Office for an answer. **Ms. Carlson** explained that when they adjusted the rates they applied an inflator to all of them. She continued that they had added about one-third to each category so that each category was proportionately increased.

REP. LAKE asked **Ms. Fabiano** if the requirement for a student to be counted, he or she must live three miles or more away from a school, could be adjusted. **Ms. Fabiano** answered that the three mile limit was statutory.

Closing by Sponsor:

SEN. NELSON stated that SB 424 would increase the entitlement rates for the schools. She explained that it was a good bill and that she supported the amendment which would put the bill back in its original form.

{Tape: 1; Side: A; Approx. Time Counter: 0 - 24.7}

HEARING ON SB 454

Sponsor: **SEN. BOB STORY, SD 12, Park City**

Opening Statement by Sponsor:

SEN. STORY stated that SB 454 in its present form would make adjustments to the block grants in retirement and transportation for those counties that had errors in their revenue. **SEN. STORY** referred to HB 18 which made some adjustments to the same section of the law and the errors that ensued. **SEN. STORY** proceeded to explain the errors and their affect on the system. He further explained SB 454 and how it would correct the errors. He pointed out that SB 454 was a technical correction bill.

Proponents' Testimony:

Harold Blattie, Montana Association of Counties, explained that he was the person that had gone around and collected all of the data. He stated the agreement reached was that all counties would be reviewed and would have to provide supporting documentation to verify the changes being made. He went on to say that he believed the numbers in the bill were as accurate as they could possibly be. He continued that the adjustments made were primarily due to the treasurers not clearly understanding which reimbursements were to be included and which were not. **Mr. Blattie** urged the Committee to support SB 454.

Opponents' Testimony: None

Informational Testimony: None

Questions from Committee Members and Responses:

REP. LAKE asked Mr. Blattie what basis it was figured on, by student or miles. **Mr. Blattie** replied that it was particular revenues that had previously gone into the three county-wide mill levies and were now going into the State General Fund. He further explained where the funds came from and what they were used for.

REP. LAKE asked Mr. Blattie how the calculations were decided. **Mr. Blattie** gave background information and explained that it was based on actual 2001 revenue.

SEN. STORY provided further clarification on what made up the numbers. He pointed out that they came from vehicle revenues, the amount of money received from business equipment reductions, tax reductions because of electric generation, telecommunication equipment reductions, etc. He then explained how they did their calculations.

Closing by Sponsor:

SEN. STORY stated that the block grants applied to county retirement, county transportation, the general fund and all other funds. He pointed out that it was not a policy bill. He then explained to the Committee how to compare the numbers in the bill to understand the corrections.

{Tape: 1; Side: B; Approx. Time Counter: 0 - 13.7}

EXECUTIVE ACTION ON SB 454

Motion/Vote: REP. LAKE moved that SB 454 BE CONCURRED IN. Motion carried 14-0 by voice vote with REP. GALVIN-HALCRO voting aye by proxy.

Vote: Motion SB 454 BE PLACED ON THE CONSENT CALENDAR carried 13-0 with REP. GALVIN-HALCRO not voting.

It was decided that should it become necessary REP. JACKSON would carry SB 454 on the floor of the House.

{Tape: 1; Side: B; Approx. Time Counter: 13.7 - 16.5}

EXECUTIVE ACTION ON SB 424

Motion: REP. LEHMAN moved that SB 424 BE CONCURRED IN.

Motion: REP. LEHMAN moved that SB 424 BE AMENDED.

Discussion:

REP. LEHMAN explained the amendments and pointed out the pertinent areas of the bill and their impact. A copy of the amendments is attached as Exhibit 1.

CHAIRMAN ANDERSEN asked Ms. Fabiano if the numbers currently in the amendment were the same as the reimbursement rates in REP. JACOBSON'S bill. Ms. Fabiano stated that the rates were the same. She went on to say that the difference between SB 424 and HB 103 was that SB 424 funded the changes using the transportation block grant.

REP. LAKE asked if there would be any general fund impact if the bill were enacted. CHAIRMAN ANDERSEN responded that it was her understanding that the bill was revenue neutral.

REP. WAGMAN asked where the block grant money was being spent at present and if it could cause county taxes to go up. CHAIRMAN ANDERSEN explained that the block grant money came from monies that had been collected in the counties and stayed in the counties. She went on to say that when HB 124 passed the money went to the State and then was reimbursed back to the counties.

Vote: Motion TO AMEND SB 424 carried 12-2 by voice vote with REPS. LAKE and WAGMAN voting no and REP. GALVIN-HALCRO voting aye by proxy.

Motion: REP. LEHMAN moved that SB 424 BE CONCURRED IN AS AMENDED.

{Tape: 1; Side: B; Approx. Time Counter: 16.5 - 25.1}

Discussion:

REP. WAGMAN stated that he would vote against the bill because of the transportation issue.

REP. LAKE explained that he did not understand why the Senate took out what they were putting back in and asked if someone could explain it to him. **Madalyn Quinlan, Office of Public Instruction**, responded that the Senate was concerned about property tax shifts. **Ms. Quinlan** went on to explain how the funding was handled and the changes that would or would not occur under SB 424.

Vote: Motion that SB 424 BE CONCURRED IN AS AMENDED carried 12-2 by roll call vote with REPS. LAKE and WAGMAN voting no and REP. GALVIN-HALCRO voting aye by proxy.

CHAIRMAN ANDERSEN will carry SB 424 on the floor of the House.

{Tape: 2; Side: A; Approx. Time Counter: 0 - 5.9}

ADJOURNMENT

Adjournment: 4:45 P.M.

REP. JOAN ANDERSEN, Chairman

MARI PREWETT, Secretary

JA/MP

EXHIBIT (edh70aad)